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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS FIFTEENTH SESSION

(14-16 April 1999)

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Introduction

1. The Programme and Budget Committee held its fifteenth session at UNIDO Headquarters, Vienna International Centre, from 14 to 16 April 1999. All 27 Members of the Committee participated in the session: Argentina, Brazil, China, Côte d'Ivoire, Denmark, Ecuador, Egypt, France, Germany, Islamic Republic of Iran, Italy, Japan, Mexico, Netherlands, Nigeria, Pakistan, Poland, Russian Federation, Rwanda, Saudi Arabia, Slovakia, Sri Lanka, Sudan, Switzerland, Tunisia, Turkey and United Kingdom of Great Britain and Northern Ireland.

2. The following 61 Members of UNIDO also attended the session: Algeria, Angola, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bolivia, Bulgaria, Burkina Faso, Colombia, Costa Rica, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, Ethiopia, Finland, Gambia, Georgia, Greece, Guatemala, Hungary, India, Indonesia, Ireland, Israel, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Morocco, Namibia, New Zealand, Norway, Oman, Panama, Peru, Philippines, Portugal, Republic of Korea, Republic of Moldova, Romania, Slovenia, Spain, Sweden, Thailand, The former Yugoslav Republic of Macedonia, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Viet Nam, Yemen and Zimbabwe.

3. The following organizations were represented: United Nations Office at Vienna, Food and Agriculture Organization of the United Nations, International Atomic Energy Agency, World Health Organization, European Commission, INFOPECHE, International Centre for Genetic Engineering and Biotechnology, International Organization for Migration, League of Arab States and Organization of African Unity.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. A. Nemcsicsy (Slovakia) as Chairman; Mr. B. Figueroa (Mexico), Mr. A. A. Anopuechi (Nigeria) and Mr. C. Poolokasingham (Sri Lanka) as Vice-Chairmen; and Mr. N. Ito (Japan) as Rapporteur.

5. The agenda for the fifteenth session as adopted by the Committee is contained in document PBC.15/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. On 16 April, after consideration of a draft conclusion on *adoption of the agenda* submitted by the Chairman (PBC.15/L.7), the Committee adopted the following conclusion:

Conclusion 99/1

The Programme and Budget Committee, in accordance with rule 13, decided to add an item entitled "Implications of the euro for UNIDO" to the agenda of its fifteenth session, to be the sole item of discussion at a resumed session on 23 June 1999.

7. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

8. The report contains the conclusions reached by the Committee. Annex I to the present report contains statements made in connection with the adoption of conclusions of the Committee and annex II contains a list of documents submitted to the Committee at its current session.

9. The following conclusions of the Committee contain recommendations that call for action by the Board at its twenty-first session or are of relevance to the work of that session:

Conclusion	Subject
99/3	Financial situation of UNIDO
99/4	Programme and Budgets, 2000-2001
99/5	Scale of assessments for apportionment of the regular budget expenses
99/6	Working Capital Fund for the biennium 2000-2001
99/7	Industrial Development Fund
99/8	Proposals for the appointment of an external auditor

I. ORGANIZATIONAL MATTERS

10. On 14 April, the Committee considered a proposal by the Chairman to optimize the *utilization of available conference-servicing resources* and adopted the following conclusion:

Conclusion 99/2

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its fifteenth session only, provided no substantive decisions were taken at those meetings.

11. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Mr. C. Poolokasingham (Sri Lanka) (Vice-Chairman) to chair those consultations.

II. FINANCIAL SITUATION OF UNIDO: (a) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999; (b) COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS (item 3)

12. On 14 April, the Committee considered a report by the Director-General as well as a note by the Secretariat on the financial situation of UNIDO (PBC.15/4-IDB.21/4, PBC.15/CRP.4), the submission by the Director-General on the interim financial performance report for the biennium 1998-1999 (PBC.15/9-IDB.21/9), the Annual Report of UNIDO 1998 (including the interim programme performance report for the biennium 1998-1999 (PBC.15/10-IDB.21/10, PBC.15/11-IDB.21/11, PBC.15/12-IDB.21/12)), a note by the Secretariat on performance indicators (PBC.15/CRP.3), and a report by the Director-General on cost-sharing issues with VIC-based organizations (PBC.15/5-IDB.21/5).

13. On 16 April, after consideration of a draft conclusion on the *financial situation of UNIDO* submitted by the Chairman (PBC.15/L.2), the Committee adopted the following conclusion:

Conclusion 99/3

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the report on the financial situation of UNIDO (PBC.15/4-IDB.21/4), and updated in document PBC.15/CRP.4;

(b) Recommends that the General Conference, notwithstanding financial regulation 5.2(b), authorize the Director-General to distribute the interest income earned in excess of the budgetary estimates for 1999, if any, to eligible Member States in accordance with the incentive mechanism ("S" curve) described in paragraphs 9

to 13 of document PBC.15/4-IDB.21/4, or to utilize those funds for purposes specified by the above-mentioned Member States;

"(c) Urges those Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund, and prior years' arrears, to do so without delay;

"(d) Requests the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears and to include information thereon in his report to the sixteenth session of the Committee."

III. PROGRAMME AND BUDGETS, 2000-2001: (a) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES; (b) WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001 (item 4); MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (item 5)

14. On 14 and 15 April, the Committee considered the proposals of the Director-General for the programme and budgets, 2000-2001 (PBC.15/7-IDB.21/7), a note by the Secretariat on the scale of assessments for the fiscal period 2000-2001 (PBC.15/3-IDB.21/3), proposals by the Director-General for the Working Capital Fund for the biennium 2000-2001 (PBC.15/2-IDB.21/2), and the proposals of the Director-General for the medium-term framework, 2000-2003 (PBC.15/13-IDB.21/13).

15. On 16 April, after consideration of a draft conclusion on the *programme and budgets, 2000-2001* submitted by the Chairman (PBC.15/L.8), the Committee adopted the following conclusion:

Conclusion 99/4

The Programme and Budget Committee:

(a) Took note of the proposals of the Director-General for the programme of work for the 2000-2001 biennium and the corresponding total resource requirements by major programme to be financed from the regular and operational budgets as contained in document IDB.21/7-PBC.15/7;

(b) Noted that the exchange rate applied to those estimates was US$ 1 = AS 12.90 for the regular and operational budgets;

(c) Recommended to the Industrial Development Board to positively consider the programme and budgets for 2000-2001 as contained in document IDB.21/7-PBC.15/7;

(d) Requested the Director-General to further examine the possibility of further savings in the proposed budgets.

16. On 16 April, after consideration of a draft conclusion on *the scale of assessments for the fiscal period 2000-2001* submitted by the Chairman (PBC.15/L.3), the Committee adopted the following conclusion:

Conclusion 99/5

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document IDB.21/3-PBC.15/3;

"(b) Recommends to the General Conference the establishment of a scale of assessments for the fiscal period 2000-2001 based on the General Assembly resolution 52/215, adjusted to the membership of UNIDO as contained in the annex to document IDB.21/3-PBC.15/3, on the understanding that new Members shall be assessed for the year in which they become Members on the basis of the United Nations scale of assessments, as applicable to UNIDO;

(c) Urges Member States to pay their assessed contributions for the 2000-2001 biennium in accordance with financial regulation 5.5(b)."

17. On 16 April, after consideration of a draft conclusion on the *Working Capital Fund for the biennium 2000-2001* submitted by the Chairman (PBC.15/L.4), the Committee adopted the following conclusion:

Conclusion 99/6

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document PBC.15/2-IDB.21/2;

"(b) Also takes note with satisfaction that, despite financial difficulties, the Director-General has replenished the Working Capital Fund to its established level;

"(c) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2000-2001 biennium remain the same as for the 1998-1999 biennium;

"(d) Urges Member States in arrears to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."

IV. INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 6)

18. On 15 April, the Committee considered a report by the Director-General on the Industrial Development Fund and other voluntary contributions (PBC.15/8-IDB.21/8), information on the nature of projects financed from the Industrial Development Fund, contained in the Annual Report of UNIDO 1998 (PBC.15/11-IDB.21/11, appendix B), information on the nature of projects financed from third party and self-financed trust funds, contained in the Annual Report of UNIDO 1998 (PBC.15/11-IDB.21/11, appendix C) and lists of projects approved under the Industrial Development Fund in 1998 (PBC.15/CRP.1).

19. On 16 April, after consideration of a draft conclusion on the *Industrial Development Fund* submitted by the Chairman (PBC.15/L.5), the Committee adopted the following conclusion:

Conclusion 99/7

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document PBC.15/8-IDB.21/8;

"(b) Welcomes the initiative of the Director-General to identify innovative modalities for the mobilization of extrabudgetary resources;

"(c) Requests the Director-General to attach high priority to activities of the UNIDO Secretariat aimed at mobilizing extrabudgetary resources for high-priority projects;

"(d) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2000 and 2001 in accordance with the information contained in that document;

"(e) Encourages Member States and other donors to increase their voluntary contributions to UNIDO, and specifically to the Industrial Development Fund;

"(f) Also encourages donors to contribute programmable funds, specifically to enable UNIDO to implement the new approach as called for in the Business Plan, based on the service modules and integrated programmes referred to in chapter II of document PBC.15/8-IDB.21/8;

"(g) Further encourages Member States to cooperate with UNIDO also in respect of bilateral sources of funds at the country level, specially for co-funding the integrated programmes;

"(h) Encourages Governments of recipient countries to work more closely with UNIDO in mobilizing funds for jointly-identified high-priority projects from sources available to them;

"(i) Expresses its appreciation for the efforts of those recipient Governments that are sharing in the cost of UNIDO activities and calls on Governments of other countries to consider doing likewise."

V. PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (item 7)

20. On 15 April, the Committee considered a report by the Director-General on candidatures for the appointment of an External Auditor (PBC.15/6-IDB.21/6, PBC.15/CRP.2).

21. On 16 April, after consideration of a draft conclusion on *proposals for the appointment of an External Auditor* proposed orally by the Chairman, the Committee adopted the following conclusion:

Conclusion 99/8

The Programme and Budget Committee:

(a) Took note of the information contained in documents PBC.15/6-IDB.21/6 and

PBC.15/CRP.2 concerning recommendations for the appointment of an external auditor;

(b) Recommended that the Industrial Development Board propose to the General Conference the appointment of an external auditor for UNIDO for a period of two years beginning on 1 July 2000, under the terms of reference specified in the Financial Regulations of UNIDO.

VI. DATE OF THE SIXTEENTH SESSION (item 8)

22. On 16 April, the Committee adopted the following conclusion:

Conclusion 99/9

The Programme and Budget Committee:

(a) Recalled its conclusion 94/13;

(b) Decided to hold its sixteenth session from 6 to 7 September 2000.

VII. ADOPTION OF THE REPORT (item 9)

23. On 16 April, the Committee adopted the draft report of its fifteenth session (PBC.15/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

VIII. SUSPENSION OF THE SESSION

24. On 16 April at 12.45 p.m. the fifteenth session of the Committee was suspended, to be resumed for one half day on 23 June 1999 for the consideration of the agenda item "Implications of the euro for UNIDO" only (see conclusion 99/1).

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements made in connection with the adoption of conclusions of the Programme and Budget Committee; these statements have been included at the request of the delegations concerned and agreed to by the Chairman.

Agenda item 3

The representative of **Egypt**, supported by the representative of Turkey, said that there was concern by a certain State over the conclusion by the Organization of technical cooperation project agreements with a State that was not at present a member of the Organization.

The representative of the **Russian Federation** said that membership in UNIDO is not a precondition for provision by the Organization of technical assistance to any sovereign State. That concept followed from the provisions of the Constitution of UNIDO, which states: "The Organization shall also promote industrial development and cooperation on global, regional and national, as well as on sectoral levels". Thus, there were no limitations to govern the provision of assistance to any country on the basis of membership or non-membership in the Organization.

The representative also said that the provisions of resolution 30 March 1993 of the special session of the UNIDO General Conference (GC./S.1/Res.1) did not establish any limitations with regard to participation by the Federal Republic of Yugoslavia in the principal and subsidiary organs of UNIDO, and that no other decisions had since been adopted on that matter.

The representative of **Japan** said that it reserved the right to state its position in future, if necessary.

Agenda item 4

The representative of **Germany** said that he felt some special responsibility for the text of the draft conclusion on agenda item 4 (PBC.15/L.8) because he had announced in the informal consultation the results of the drafting exercise in which representatives of all the regional groups, in particular of the Group of 77, had participated. He said that he would not address the content of subparagraph (b), which is a question for the Secretariat, but would like to highlight the ideas behind subparagraphs (c) and (d).

First, the representative said, the group had been guided in the drafting by the wish to arrive at a consensus text on the matter. Second, it was clear that, to accommodate the concerns of the Japanese delegation, more time would be needed for further examination of the budget. Third, also to accommodate the Japanese concern, but at the same time to express a common view on the programme and budget proposals, expression was made that the Programme and Budget Committee should not just take note of those proposals but rather recommend to the Industrial Development Board that it should positively consider the proposals.

He said that it had been the feeling during the consideration of the proposals that the general outline of the budget and its approach as well as the priorities set therein had been appropriately outlined by the Secretariat. However, if the proposals were not adopted at the present session, there should be an expression by the Committee that the proposals made by the Secretariat were welcomed and generally supported. In terms of the further time needed and further examination of possible savings—an issue on which everyone agreed—the representative said that that should be an undertaking by the Director-General. However, it was also the general understanding (which was also the understanding of the European Union) that the exercise to determine further savings should not rest exclusively on the shoulders of the Secretariat, but that such an examination should be conducted in close consultation with Member States. Such an examination should not be aimed at across-the-board savings, but should be guided rather by setting priorities and determining where reasonable savings can be found.

The representative of Germany concluded that, in light of those comments, members of the Committee might be prepared to adopt the text contained in the draft conclusion without any reservations.

The representative of **Sudan** said that the Secretariat had played an important role in carrying out reforms. The decision to postpone a ruling on the draft programme and budgets gave an inadequate or possibly negative signal. Having wished, for several reasons, not to hinder a consensus, his delegation would, nevertheless like to emphasize the reform already taken place, as it requires political support from all Member States to produce the desired results and to enable the Organization to proceed in the new framework that the Member States had chosen for it.

Annex II

LIST OF DOCUMENTS SUBMITTED TO THE FIFTEENTH SESSION

Symbol	*Agenda item*	*Title*
PBC.15/1	2	Provisional agenda
PBC.15/1/Add.1	2	Annotated provisional agenda
PBC.15/2-IDB.21/2	4 (b)	Working Capital Fund for the biennium 2000-2001. Proposals by the Director-General
PBC.15/3-IDB.21/3	4 (a)	Scale of assessments for the fiscal period 2000-2001. Note by the Secretariat
PBC.15/4-IDB.21/4	3	Financial situation of UNIDO. Report by the Director-General
PBC.15/5-IDB.21/5	3 (b)	Cost-sharing issues with VIC-based organizations. Report by the Director-General
PBC.15/6-IDB.21/6	7	Candidatures for the appointment of an External Auditor. Report by the Director-General
PBC.15/7-IDB.21/7	4	Programme and budgets, 2000-2001. Proposals of the Director-General
PBC.15/8-IDB.21/8	6	Industrial Development Fund and other voluntary contributions. Report by the Director-General
PBC.15/9-IDB.21/9	3 (a)	Interim financial performance report for the biennium 1998-1999. Submitted by the Director-General
PBC.15/10-IDB.21/10	3 (a)	Annual Report of UNIDO 1998
PBC.15/11-IDB.12/11	3 (a)	Annual Report of UNIDO 1998. Programme performance report. Operational statistics and other appendices
PBC.15/12-IDB.21/12	3 (a)	Annual Report of UNIDO 1998. Programme performance report. List of technical cooperation projects
PBC.15/13-IDB.21/13	5	Medium-term programme framework, 2000-2003. Proposals of the Director-General
		* * * * *
PBC.15/CRP.1	6	Lists of projects approved under the Industrial Development Fund in 1998. Prepared by the Secretariat
PBC.15/CRP.2	7	Candidatures for the appointment of an External Auditor. Note by the Secretariat
PBC.15/CRP.3	3 (a)	Performance indicators. Note by the Secretariat
PBC.15/CRP.4-IDB.21/CRP.1	3	Financial situation of UNIDO. Note by the Secretariat
PBC.15/CRP.5	2	List of documents
PBC.15/CRP.6	-	List of participants